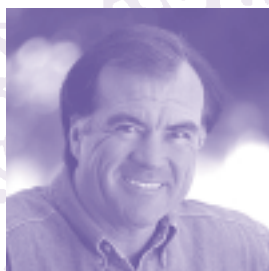


The State of Tennessee



Deferred Compensation Program

401(k) Participant Loans *Questions & Answers*



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Q Who is eligible for a 401(k) plan loan?

A Any active employee who has an accumulated 401(k) account balance of \$4,000 or more is eligible to apply for a 401(k) plan loan. Teachers or university employees who have previously obtained a loan from a 403(b) plan are subject to additional requirements.

Q May I take another loan from the plan later?

A A participant may have up to two loans outstanding at any time. To qualify for a second loan, repayments on the previous loan must be in good standing and loans must be issued at least 12 months apart. If you wish an additional loan beyond the two permitted, you must repay one of your existing loans before applying for another loan.

Q What is the maximum amount I may borrow?

A The maximum amount you are permitted to borrow from your account is determined as follows:

First Loan

**Account Balance
at Last Valuation**

Maximum Amount

\$4,000 - \$100,000

50% of account balance

Over \$100,000

\$50,000

Subsequent Loan

**Account Balance
at Last Valuation**

Maximum Amount

\$4,000 - \$100,000

The lesser of:
50% of account balance, less current
outstanding loan balance, *or*
\$50,000 less highest outstanding loan
balance during previous 12 months

Over \$100,000

\$50,000, less highest outstanding loan
balance during previous 12 months

As used above, “account balance” includes the outstanding balance of any existing loan you currently have under the plan.

QWhat is the minimum amount of a loan?

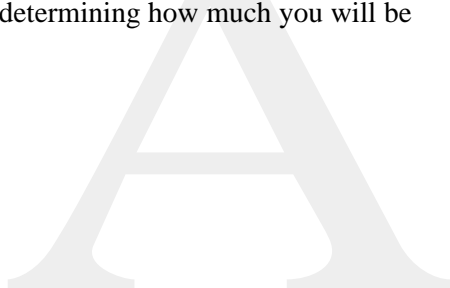
AThe minimum general purpose loan available from the plan is \$2,000.
The minimum home purchase loan available from the plan is \$5,000.

QWhat is the difference between a general purpose loan and a home purchase loan?

AA general purpose loan must be repaid in 1, 2, 3, 4, or 5 years. A loan made for the purchase of a home that is to be the principal residence of the borrower may be repaid in 10, 11, 12, 13, 14, or 15 years. The interest rate for these two types of loans may also differ. A home purchase loan application must be accompanied by (1) a signed statement acknowledging that the home is to be the borrower's principal residence and (2) a properly executed sales or construction contract showing evidence that the loan proceeds will be used for acquiring or constructing the principal residence of the borrower. Federal rules prohibit using a home purchase loan to improve or refinance an existing principal residence, purchase a second home, or finance the purchase of a home for another member of the borrower's family.

QDo I have to put up collateral and qualify for a loan in the same way I would at a bank?

AYour 401(k) account will serve as collateral. As long as the total amount you are borrowing from the plan can be repaid in payments which do not exceed your current take-home pay and any previous loans you have received from the plan are in good standing, it will be up to you to decide how much you can afford to repay. As a participant in the 401(k) plan, you have established a financially responsible savings pattern and it is expected that you will continue to exercise careful planning in determining how much you will be able to afford to pay.



QHow are loans treated for tax purposes?

AFunds borrowed from the plan under these conditions are not treated as distributions, provided they are repaid in accordance with the terms of the loan. Therefore, no taxes are withheld or due when a loan is received. Loan repayments, on the other hand, do not reduce current salary for tax purposes since they are being used to replace salary and earnings on which taxes are still being deferred. Therefore, loan repayments do not affect the amount of current salary you are eligible to defer.

QMay I deduct the interest I pay on the loan from my taxable income if I itemize deductions?

ANo. Under federal tax law, no deduction is permitted for interest paid on a loan from the 401(k) plan, regardless of the purpose of the loan. The value of the deduction that might be available if funds were borrowed from an alternate source (especially with respect to home loans) is one of the factors you should consider when comparing these features to the features of alternate sources of loans.

QHow are interest rates determined?

AThe interest rate will be based on benchmark marketplace loan rates as shown below:

Type of Loan	Benchmark Instrument
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<i>General Purpose</i> (5 years or less)	Prime Rate Plus 1 Percent
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<i>Home Purchase</i> (10 to 15 years)	Federal Home Loan Mortgage Corporate Rate for Conventional Fixed Rate Mortgage
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The benchmark interest will be adjusted monthly. The rate charged on any particular loan will be a fixed rate equal to the benchmark rate in effect on the last day of the month prior to loan application. You may obtain the current benchmark rates from Great-West Retirement ServicesSM. You will see both a Finance Charge and an Annual Percentage Rate quoted on the Truth in Lending Disclosure Statement. The Finance Charge is the dollar amount the loan will cost

you. The Annual Percentage Rate includes the loan initiation fee, the estimated monthly processing fee payable and the estimated total interest to be paid over the term of the loan.

QWhat are the loan initiation and processing fees?

A You will be charged loan fees in the following amounts:

Loan initiation	\$50.00
Processing Payroll Deduction Payments	\$2.00 per month
Processing Payroll by Check or Money Order at Loan Payoff	\$10.00 per occurrence

The loan initiation fee will be deducted from the loan amount you receive. In other words, if you borrow \$3,000 you will actually receive \$2,950. The payroll deduction processing fee will deducted from your 401(k) account once a month. If you pay off your loan by check or money order, you will be assessed a \$10 manual processing fee.

QHow does taking out a loan impact my 401(k) plan investments?

A Your loan is funded from a withdrawal of deposits in your investments. When you submit your loan application, the withdrawal will be deducted proportionately from all funds in your account. When you repay the loan, your loan payment is applied to the interest and finally to the principal, thereby reducing the balance owed. The paid principal and interest is credited to your account based on your current investment election. Payments received on your loan will be directed to your current investment allocation and will be reflected on your statement.

QWhat are the loan repayment rules?

A Federal law requires you to repay your loan(s) in full. Loans are due and payable upon the expiration of the loan term or your separation from employment with the state or university. When you sign your loan documents, you must agree to a specific loan term and a specific payroll deduction repayment plan. While you are actively employed, regular loan repayments must be made through payroll deduction. Your repayments will be deducted from each paycheck, beginning in the month following the month in which you receive the loan proceeds.

If you wish to prepay your loan or if you separate from service, you may pay off your loan with a check or money order made payable to Great-West Retirement ServicesSM. If you are going to pay off your loan in a lump sum, you should first contact Great-West Retirement ServicesSM to confirm the required payment amount. Payments made by check or money order must be received by Great-West Retirement ServicesSM by the date stated on the payoff notice.

In the event of the participant's death prior to payoff completion, the outstanding balance is treated as a distribution from the plan on the date of death. The loan cannot be transferred to or assumed by the participant's beneficiary.

QWhat are the consequences if my payments become delinquent?

A Since such occurrences may jeopardize the plan's qualified status, they will be addressed seriously. If your loan payments become delinquent, you will not be permitted to take a new loan from the plan or to make new deferrals to the program until your loan payments are current. If you miss a scheduled loan payment, your loan will be considered delinquent. If your loan payments remain delinquent for three (3) consecutive months, the loan will be considered in default.

QWhat are the consequences of a loan default?

AIf you have not repaid your loan in full by the earlier of the end of your loan term or your severance of employment, your loan will be declared to be in default and will be referred to the State of Tennessee's Treasury Department for collection efforts. Loans may also be declared to be in default in the event of false statements by the participant on the loan application, bankruptcy by the participant, or the death of the participant. Under the Internal Revenue Code, a default on a 401(k) plan loan creates a taxable event, whereby the amount of unpaid principal and interest will be reported to the IRS as current income and you must pay taxes and applicable tax penalties on the amount. In addition, borrowers with a loan in default will be prohibited from obtaining further loans from the plan and will be required to suspend plan contributions.

If you experience a financial hardship which interferes with your loan repayments, you should contact Great-West Retirement ServicesSM for information regarding hardship distributions before your loan goes into default.

QHow do I apply for a loan?

ATo apply for a loan, dial **(800) 922-7772** and press "0" to speak to a representative. Indicate the type of loan you want (general or home purchase), the amount you would like to borrow, and the loan term desired. The next business day after your call, Great-West Retirement ServicesSM will mail you a loan application.

You should review the loan application, sign it and return it by mail to:

Great-West Retirement ServicesSM
P.O. Box 173764
Denver, CO 80217-3764

If your application is denied, you may submit an appeal to the Director of the Defined Contribution Program. Appeals must be made no later than 60 days after notification of denial. The written appeal must state (1) the specific facts upon which the appeal is based, (2) how these facts justify an affirmative decision in view of the loan policy requirements, and (3) the specific remedy sought by the applicant. The applicant should submit any supporting documentation not included in the original application.

QWhat are the additional requirements for teachers and university employees who have previously obtained a loan from a 403(b) plan?

A Under federal tax law, the 401(k) plan and a 403(b) plan are treated as one plan for loan limitations purposes. Therefore, any loan you may have from a 403(b) plan will be treated as a loan from the 401(k) plan when the preceding rules are applied. If you have had an outstanding loan from a 403(b) plan during the past 12 months, you must furnish your 403(b) account statements and loan statements with your 401(k) loan application to document the fact that your combined 401(k) and 403(b) loan amounts will not exceed the loan limits.

QWhat is the sequence of events in the loan process?

- A**
- 1) Loan application is received by Great-West Retirement ServicesSM.
 - 2) A promissory note/disclosure statement is sent to you to review and sign. Return within ten (10) days.
 - 3) Upon receipt of a signed promissory note, a check and amortization schedule will be sent to you.
 - 4) Approximately one month following the month the loan was taken, your first loan payment will be deducted from your paycheck. If your loan repayments are not properly deducted from your paycheck, contact Great-West Retirement ServicesSM immediately.

QHow can I obtain more information?

A Call or write:

Great-West Retirement ServicesSM
P.O. Box 173764
Denver, CO 80217-3764
(800) 922-7772

This pamphlet is intended to summarize the rules and conditions currently applicable to loans from the State of Tennessee 401(k) Plan. It does not supersede or restrict applicable federal tax law. All provisions of the 401(k) plan, including loan provisions, are subject to change by Congress and to interpretation by the IRS. Before deciding whether to borrow funds from the 401(k) plan or from another source, participants should compare the rules and conditions explained in this pamphlet to the rules and conditions applicable to loans from other sources.



The services and communications provider for the program is:

Great-West Retirement ServicesSM
8525 E. Orchard Road
Greenwood Village, CO 80111
(800) 922-7772, press "1"

Local Office:

Great-West Retirement ServicesSM
545 Mainstream Drive, Suite 407
Nashville, TN 37228
(800) 922-7772, press "2"

Securities, when offered, are offered through GWFS Equities, Inc., a wholly owned subsidiary of Great-West Life & Annuity Insurance Company. Not intended for use in New York.

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